

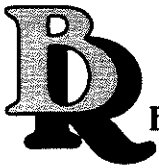
STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
ATLANTIC MINE , MICHIGAN

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

June 30, 2006

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Bruce A Rukkila, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Township Public School District as of and for the year then ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stanton Township Public School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Township Public School District as of June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued a report dated August 30, 2006 on our consideration of Stanton Township Public School Districts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion analysis and budgetary comparison information on pages 6 through 11 and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Stanton Township Public School District's basic financial statements. The additional information on pages 30 to 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 30, 2006



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Township Public School District as of and for the year then ended June 30, 2006, and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stanton Township Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stanton Township Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 30, 2006

Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2006

This section of Stanton Township Public School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

Financial Highlights

For the fourth consecutive year, the District budget was in a deficit. Due to the increase in foundation and unexpected enrollment increase, the budget deficit was less than projected.

The recent increase in foundation funding has not kept up with the increasing costs of operations.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Overview of the Financial Statements - Continued

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt and School Service funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund meets this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Debt, and School Service funds.

Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2006

Summary of Net Assets

	2006	2005
Assets		
Current and other assets	\$ 836,764	\$ 841,883
Capital assets - Net of accumulated depreciation	413,203	445,063
Total Assets	\$ 1,249,967	\$ 1,286,946
Liabilities		
Current liabilities	\$ 175,906	\$ 161,161
Long-term liabilities	18,547	11,728
Total Liabilities	194,453	172,889
Net Assets		
Invested in capital assets - net of related debt	399,189	443,746
Restricted	0	14,013
Unrestricted	656,325	656,298
Total net assets	1,055,514	1,114,057
Total Liabilities and Net Assets	\$ 1,249,967	\$ 1,286,946

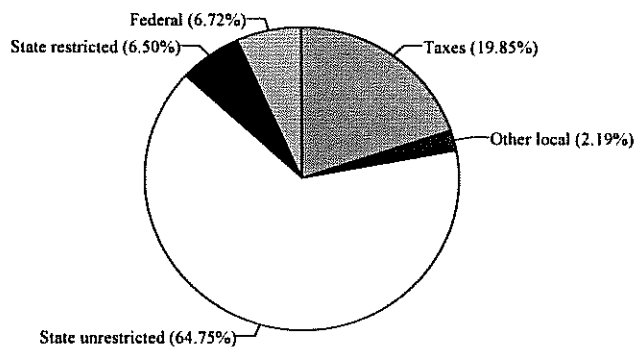
Results of Operations in Governmental Activities

	2006	2005
Program Revenue:		
Charges for services	\$ 18,549	\$ 18,786
Grants and contributions	202,257	153,021
General Revenue:		
Property taxes	228,986	255,317
State foundation allowance	743,175	709,222
Other	23,600	15,664
Total Revenue	1,216,567	1,152,010
Functions/Program Expenses		
Instruction	814,226	724,834
Support services	387,225	368,016
School food services	64,394	57,689
Athletics	4,770	4,751
Interest on long-term debt	4,495	1,679
Other debt	0	0
Total Expenses	1,275,110	1,156,969
Change in Net Assets	(58,543)	(4,959)
Net Assets - Beginning	1,114,057	1,119,016
Net Assets - Ending	\$ 1,055,514	\$ 1,114,057

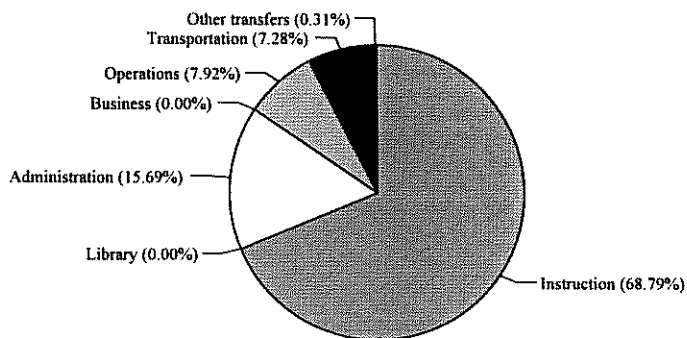
Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2006

The following charts highlight the District's General Fund activities:

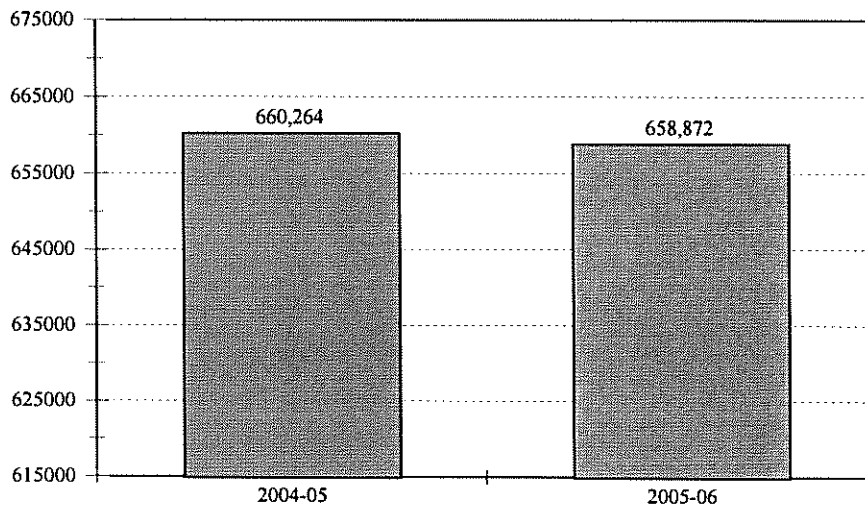
2005-06 Revenues



2005-06 Expenditures



Fund Balance Comparison



Stanton Township Public School District
Management's Discussion and Analysis
June 30, 2006

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 1,157,344	\$ 1,059,752	\$ 97,592
Expenditures/Transfers	\$ 1,158,736	\$ 1,078,203	\$ 80,533
Fund Balance	\$ 658,872	\$ 660,264	\$ (1,392)
Debt Retirement Fund:			
Revenues/Transfers	\$ 0	\$ 31,638	\$ (31,638)
Expenditures/Transfers	\$ 14,013	\$ 32,160	\$ (18,147)
Fund Balance	\$ 0	\$ 14,013	\$ (14,013)
School Service Fund:			
Revenues/Transfers	\$ 72,325	\$ 58,639	\$ 13,686
Expenditures/Transfers	\$ 69,164	\$ 62,440	\$ 6,724
Fund Balance	\$ 10,923	\$ 7,762	\$ 3,161

General Fund - A pre-school program was implemented resulting in increased revenue and expenditures from the prior year. In addition, revenues increased due to the incline of enrollment and state aid foundation.

Debt Service Fund - This fund was retired during the fiscal year.

School Service Fund - Due to increased enrollment, there were more student breakfast and lunches served. This explains the increase in revenue.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2006, the original budget was adopted on June 21, 2005. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget twice during the fiscal year.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget</u>	<u>% Variance</u>
Revenues	\$ 1,046,146	\$ 1,150,828	\$ 1,147,826	\$ (3,002)	-0.3%
Expenditures					
Instruction	\$ 766,051	\$ 812,015	\$ 797,150	\$ 14,865	1.9%
Supporting services	401,145	398,771	358,002	40,769	11.4%
Total expenditures	\$ 1,167,196	\$ 1,210,786	\$ 1,155,152	\$ 55,634	4.8%
Other financing sources (uses)	\$ 0	\$ 0	\$ 5,934	\$ (5,934)	-100.0%

General Fund Budgetary Highlights (Continued)

The implementation of a pre-school program is one cause of increased revenues and instruction expenses from original budget to final. Other factors that affected the change in revenues include an increase in state aid and the granting of the Michigan School Readiness Grant.

The decrease in instruction expenses from final to actual is due to the reversal of a prior year journal entry for accrued salaries that was erroneously included in the budget.

The decision to postpone repair and maintenance work results in supporting services expenses being lower than budgeted.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets did not change from prior year.

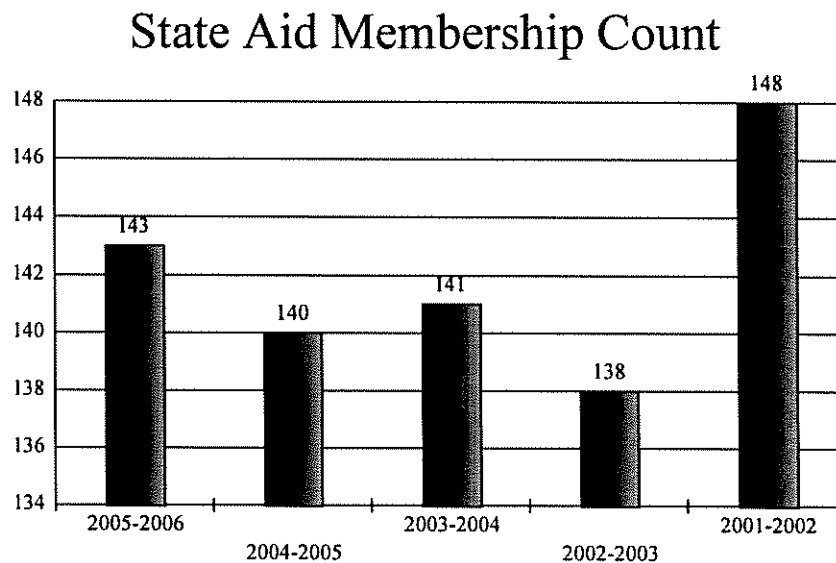
Additional information on the District's capital assets can be found on page 23 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$14,014. This total amount is backed by the full faith and credit of the District. The District's net total debt was increased by \$12,698 during the fiscal year.

Additional information on the District's long-term debt can be found starting on page 23 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts 2.09% increase in the number of students enrolled from the previous year, using the State Aid Membership Count.



Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations (Continued)

Our elected officials and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

State revenues received by Michigan school districts are approved annually in the State Aid Act. This Act, approved by the State Legislature, provides a foundation amount (amount per student) of \$7,085 for the 2006-07 school year. This represents an increase of \$210.

The board approved an expenditure for classroom computers via a leased purchase plan for 3 years as per our Technology Plan. See page 23.

A Headlee Reduction Act override was passed by the voters of the District in May of 2006 to be in effect for 7 years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Stanton Township Public Schools.

STANTON TOWNSHIP PUBLIC SCHOOLS

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 211,579
Investments	432,729
Taxes receivable	27,656
Accounts receivable	1,560
Due from other governmental units	158,764
Due from other funds	<u>4,476</u>
TOTAL CURRENT ASSETS	<u>836,764</u>
NON-CURRENT ASSETS:	
Capital assets	926,102
Less: Accumulated depreciation	<u>(512,899)</u>
TOTAL NON-CURRENT ASSETS	<u>413,203</u>
TOTAL ASSETS	<u>\$ 1,249,967</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 39,882
Accrued expenses	85,664
Short-term lease payable	8,937
Due to governmental units	36,947
Due to other funds	<u>4,476</u>
TOTAL CURRENT LIABILITIES	<u>175,906</u>
NON-CURRENT LIABILITIES	
Lease payable, due in more than one year	5,077
Compensated absences	<u>13,470</u>
TOTAL NON-CURRENT LIABILITIES	<u>18,547</u>
TOTAL LIABILITIES	<u>194,453</u>
NET ASSETS	
Invested in capital assets, net of related debt	399,189
Unreserved	<u>656,325</u>
TOTAL NET ASSETS	<u>1,055,514</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,249,967</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

		<u>Program Revenues</u>		<u>Governmental Activities</u>
				<u>Net (Expense)</u>
			<u>Operating</u>	<u>Revenue and</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Changes in Net</u>
<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Assets</u>
Government Activities:				
Instruction and instructional support	\$ 814,226	\$ -	\$ 152,274	\$ (661,952)
Support services	387,225	-	-	(387,225)
Food service	64,394	18,249	47,571	1,426
Athletics	4,770	300	2,412	(2,058)
Interest on long-term debt	4,495	-	-	(4,495)
Total Governmental Activities	<u>\$ 1,275,110</u>	<u>\$ 18,549</u>	<u>\$ 202,257</u>	<u>(1,054,304)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				227,815
Other taxes				1,171
State school aid - unrestricted				743,175
Interest and investment earnings				19,504
Other				<u>4,096</u>
Total general revenues, transfers, and special items				<u>995,761</u>
Change in Net Assets				(58,543)
Net Assets - Beginning				<u>1,114,057</u>
Net Assets - Ending				<u>\$ 1,055,514</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006

	<u>General</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 203,627	\$ 7,952	\$ 211,579
Investments	432,729	-	432,729
Taxes receivable	27,656	-	27,656
Accounts receivable	-	1,560	1,560
Due from other governmental units	157,179	1,585	158,764
Due from other funds	<u>-</u>	<u>4,476</u>	<u>4,476</u>
TOTAL ASSETS	<u>\$ 821,191</u>	<u>\$ 15,573</u>	<u>\$ 836,764</u>
LIABILITIES:			
Accounts payable	\$ 35,232	\$ 4,650	\$ 39,882
Accrued expenses	85,664	-	85,664
Due to other funds	4,476	-	4,476
Due to other governmental units	<u>36,947</u>	<u>-</u>	<u>36,947</u>
TOTAL LIABILITIES	<u>162,319</u>	<u>4,650</u>	<u>166,969</u>
FUND BALANCES:			
Unreserved	<u>658,872</u>	<u>10,923</u>	<u>669,795</u>
TOTAL FUND BALANCES	<u>658,872</u>	<u>10,923</u>	<u>669,795</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 821,191</u>	<u>\$ 15,573</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.	413,203
Long-term liabilities, including deferred compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(27,484)</u>
Net assets of governmental activities	<u>\$ 1,055,514</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	General Fund	Other Non-major Governmental Funds	Totals
Revenues			
Local sources	\$ 253,004	\$ 21,170	\$ 274,174
State sources	817,745	2,132	819,877
Federal sources	77,077	45,439	122,516
Total revenues	<u>1,147,826</u>	<u>68,741</u>	<u>1,216,567</u>
Expenditures			
Instruction	797,150	-	797,150
Supporting services	358,002	-	358,002
School food service	-	64,394	64,394
Athletics	-	4,770	4,770
Debt Service	-	4,495	4,495
Total expenditures	<u>1,155,152</u>	<u>73,659</u>	<u>1,228,811</u>
Excess (deficiency) of revenue over expenditures	<u>(7,326)</u>	<u>(4,918)</u>	<u>(12,244)</u>
Other Financing Sources (Uses)			
Operating transfers in	9,518	3,584	13,102
Operating transfers out	<u>(3,584)</u>	<u>(9,518)</u>	<u>(13,102)</u>
Total other financing sources (uses)	<u>5,934</u>	<u>5,934</u>	<u>-</u>
Net Change in Fund Balance	(1,392)	(10,852)	<u>(12,244)</u>
Fund Balances - Beginning of year	<u>660,264</u>	<u>21,775</u>	
Fund Balances - End of Year	<u>\$ 658,872</u>	<u>\$ 10,923</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(31,860)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	1,742
Repayment of bond/lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>12,697</u>
Change in net assets of governmental activities	<u>\$ (58,543)</u>

The accompanying notes to financial statements are an integral part of this statement.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Stanton Township Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

Stanton Township Public School District (the "District") is governed by the Stanton Township Public School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designated management, the ability to significantly influence operations, and the primary accountability for fiscal manners. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does not allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Debt Retirement, School Food Service, and Athletic Activities.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statues authorizes the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes levied by the District are collected by Stanton Township and are periodically remitted to the District. The taxes are levied on December 31 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	18.00

Receivables and Payables

Activity between funds are reported as "due to/from other funds." All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

The District utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for accrued benefits reported in the district-wide statements in the amount of \$13,470 consisted of sick leave balances.

Sick Leave - Teachers and support staff may accumulate unused sick days to a maximum of 150 and 120 days, respectively. Upon termination of employment, teachers and employees with at least ten (10) and eleven (11) years of service, respectively, to the School District are paid \$30 and \$15 per day, respectively, of unused accumulated sick days.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification

Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

As of June 30, 2006 the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Rating	%
MILAF - MIMAX	\$ 182,729	.0837	AAA	42.23%
MILAF+ TERM A	250,000	.0837	AAA	57.77%
	<u>\$ 432,729</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>.0837</u>		

1 day maturity equals 0.0027, one year equals 1.00

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE C - CASH AND INVESTMENTS

Interest Rate Risk - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$48,791 of the District's bank balance of \$248,707 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

At year-end, the School District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

	Governmental Activities
Unrestricted cash	\$ 211,579
Investments	432,729
Total deposits and investments	<u>\$ 644,308</u>

NOTE D - RECEIVABLES

Receivables from governmental units at June 30, 2006 consist of the following:

	General Fund	School Service	Total
State aid	\$ 148,369	\$ 1,585	\$ 149,954
Federal (IRS)	8,810	0	8,810
	<u>\$ 157,179</u>	<u>\$ 1,585</u>	<u>\$ 158,764</u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE E - FIXED ASSETS

Fixed Asset activity of the School District's governmental activities was as follows:

	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Building and additions	\$ 660,274	\$ 0	\$ 0	\$ 660,274
Equipment and furniture	59,083	0	0	59,083
School buses	206,745	0	0	206,745
Subtotal	926,102	0	0	926,102
Accumulated depreciation:				
Building and additions	260,107	20,811	0	280,918
Equipment and furniture	45,383	3,850	0	49,233
School buses	175,549	7,199	0	182,748
	481,039	31,860	0	512,899
Net capital assets	\$ 445,063	\$ 31,860	\$ 0	\$ 413,203

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 1,320
Support Service	30,207
Food Service	333
Total governmental activities	\$ 31,860

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2006 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
School Service	\$ 4,476	General Fund	\$ 4,476
Fund	Transfer In	Fund	Transfer Out
General	\$ 9,518	General	\$ 3,585
School Service	577	Debt Retirement	9,518
Athletic	3,008		0
	\$ 13,103		\$ 13,103

NOTE G - LONG TERM DEBT

Lease Agreements

On March 6, 2006, the District entered into a lease agreement with Dell Financial Services in the amount of \$23,818 for various pieces of computer equipment. This lease has annual payments which do include interest. The lease will expire in April of 2008. As of 6/30/06, the District made payments totaling \$9,956. The following is a schedule of the lease payments:

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE G - LONG TERM DEBT (Continued)

Payable School Year	Interest	Principal	Total
2006-2007	\$ 1,019	\$ 8,937	\$ 9,956
2007-2008	369	5,077	5,446
	<u>\$ 1,388</u>	<u>\$ 14,014</u>	<u>\$ 15,402</u>

Long-Term Obligations

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2006:

	Balance June 30, 2005	Increase	Decrease	Balance June 30, 2006	Current Portion
Bus Loan	\$ 1,316	\$ 0	\$ 1,316	\$ 0	
Lease	0	14,014	0	14,014	\$ 8,937
	<u>1,316</u>	<u>14,014</u>	<u>1,316</u>	<u>14,014</u>	
Accrued Benefits	11,728	1,742	0	13,470	
	<u>\$ 13,044</u>	<u>\$ 15,756</u>	<u>\$ 1,316</u>	<u>\$ 27,484</u>	

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or after attaining age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 14.87% of covered compensation through September 30, 2005 and 16.34% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$101,126 and equal the required contributions.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2005 for the MPSERS as a whole, the actuarial accrued liability was \$46.3 billion. The pension plan net assets were \$39 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 84.88%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2005 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2005 annual report.

The State of Michigan is responsible for the payment of retirement benefits.

NOTE I - FOUNDATION REVENUE

Effective as of fiscal year 1994-95 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The foundation allowance is based on the average of pupil membership counts taken in February and September of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The school district levies 18 mills for non-homestead property taxes. State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2005-06 Foundation	\$	6,875.00
Less Local Support:		
Non-Homestead Tax Value		13,440,575
Multiplied by mills		<u>0.018</u>
Total Local Support		241,930
Divided by General Education K-12 membership		<u>143.00</u>
Calculated Local Support		<u>(1,691.82)</u>
2005-06 Foundation Grant Allowance Per Pupil	\$	<u><u>5,183.18</u></u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006

NOTE J - RECONCILIATION OF R7120 TO REPORTED FEDERAL REVENUES

The amounts reported as current payments on the R7120, Grant Section Auditors Report prepared by the State of Michigan, reconciled with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 16 is as follows:

Total current payments per R7120	\$	96,673
Rounding		0
Less State grants:		
School Breakfast		(1,226)
Less prior year accounts receivables:		
Plus:		
USDA Commodities		9,785
Direct Federal grants		17,284
Total Federal Financial Assistance	\$	<u>122,516</u>

The School District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2006 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE K - CONTINGENT LIABILITIES

Risk Pool

Stanton Township Public School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Stanton Township Public School District joined together with other school districts currently operating a common risk management and insurance program. Stanton Township Public School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

STANTON TOWNSHIP PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 230,496	\$ 257,930	\$ 253,004	\$ (4,926)
State sources	739,412	815,788	817,745	1,957
Federal sources	76,238	77,110	77,077	(33)
TOTAL REVENUE	1,046,146	1,150,828	1,147,826	(3,002)
EXPENDITURES:				
Instruction	766,051	812,015	797,150	14,865
Supporting services	401,145	398,771	358,002	40,769
TOTAL EXPENDITURES	1,167,196	1,210,786	1,155,152	55,634
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(121,050)	(59,958)	(7,326)	52,632
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	9,518	9,518
Operating transfers out	-	-	(3,584)	(3,584)
Total other financing sources (uses)	-	-	5,934	5,934
NET CHANGE IN FUND BALANCE	\$ (121,050)	\$ (59,958)	(1,392)	\$ 5,934
FUND BALANCE - BEGINNING OF YEAR			660,264	
FUND BALANCE - END OF YEAR			\$ 658,872	

SUPPLEMENTAL FINANCIAL INFORMATION

STANTON TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
REVENUES:				
Local sources:				
Taxes	\$ 241,930	\$ 227,815	\$ (14,115)	\$ 223,714
Investment revenue	15,000	19,426	4,426	10,017
Rentals	-	1,379	1,379	1,829
Contributions	500	627	127	700
Miscellaneous	500	3,757	3,257	3,723
Total local sources	<u>257,930</u>	<u>253,004</u>	<u>(4,926)</u>	<u>239,983</u>
State sources:				
Unrestricted State aid	741,195	743,175	1,980	709,222
Restricted at-risk grant	28,393	28,370	(23)	32,032
Michigan school readiness	46,200	46,200	-	-
Total state sources	<u>815,788</u>	<u>817,745</u>	<u>1,957</u>	<u>741,254</u>
Federal sources:				
Title I	43,213	43,213	-	50,502
Title VI	829	829	-	1,284
Class size reduction	14,948	14,948	-	15,085
Title II	803	803	-	1,283
REAP	10,361	10,614	253	10,361
Homeland Security grant	-	214	214	-
Service Learning grant	1,956	1,456	(500)	-
MiBLSi grant	5,000	5,000	-	-
Total federal sources	<u>77,110</u>	<u>77,077</u>	<u>(33)</u>	<u>78,515</u>
TOTAL REVENUES	<u>1,150,828</u>	<u>1,147,826</u>	<u>(3,002)</u>	<u>1,059,752</u>
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	<u>738,992</u>	<u>723,680</u>	<u>15,312</u>	<u>640,884</u>
Added needs:				
Compensatory education	44,241	44,524	(283)	52,216
At-risk	28,782	28,946	(164)	32,033
Total added needs	<u>73,023</u>	<u>73,470</u>	<u>(447)</u>	<u>84,249</u>
Total instruction	<u>812,015</u>	<u>797,150</u>	<u>14,865</u>	<u>725,133</u>

STANTON TOWNSHIP PUBLIC SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
Supporting services:				
Instructional staff:				
Library	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,653</u>
General administration:				
Board of education	<u>24,081</u>	<u>16,533</u>	<u>7,548</u>	<u>16,400</u>
Executive administration	<u>172,955</u>	<u>165,236</u>	<u>7,719</u>	<u>159,089</u>
Total general administration	<u>197,036</u>	<u>181,769</u>	<u>15,267</u>	<u>175,489</u>
Business-fiscal services	<u>-</u>	<u>-</u>	<u>-</u>	<u>487</u>
Operation & maintenance	<u>111,019</u>	<u>91,828</u>	<u>19,191</u>	<u>86,850</u>
Pupil transportation	<u>90,716</u>	<u>84,405</u>	<u>6,311</u>	<u>86,591</u>
Total supporting services	<u>398,771</u>	<u>358,002</u>	<u>40,769</u>	<u>353,070</u>
TOTAL EXPENDITURES	<u>1,210,786</u>	<u>1,155,152</u>	<u>55,634</u>	<u>1,078,203</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(59,958)</u>	<u>(7,326)</u>	<u>(52,632)</u>	<u>(18,451)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer in	<u>-</u>	<u>9,518</u>	<u>9,518</u>	<u>-</u>
Operating transfer out	<u>-</u>	<u>(3,584)</u>	<u>(3,584)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>5,934</u>	<u>5,934</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (59,958)</u>	<u>(1,392)</u>	<u>\$ (58,566)</u>	<u>(18,451)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>660,264</u>		<u>678,715</u>
FUND BALANCE, END OF YEAR		<u>\$ 658,872</u>		<u>\$ 660,264</u>

STANTON TOWNSHIP PUBLIC SCHOOLS
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	<u>ACTUAL</u>	<u>2005</u>
REVENUES:		
Local sources:		
Taxes:		
Current taxes	\$ -	\$ 31,603
Other taxes	<u>-</u>	<u>35</u>
Total taxes	<u>-</u>	<u>31,638</u>
Other:		
TOTAL REVENUES	<u>-</u>	<u>31,638</u>
EXPENDITURES:		
Interest on bonds	4,495	2,160
Redemption of bond principle	<u>-</u>	<u>30,000</u>
TOTAL EXPENDITURES	<u>4,495</u>	<u>32,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,495)	(522)
OTHER FINANCING SOURCES (USES):		
Operating transfers out	<u>(9,518)</u>	<u>-</u>
Net Change in Fund Balance	<u>(14,013)</u>	<u>(522)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>14,013</u>	<u>14,535</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 14,013</u>

STANTON TOWNSHIP PUBLIC SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2006

	School Service Funds		Totals	
			Memorandum Only	
	School Food			
	Service	Athletic	2006	2005
ASSETS AND OTHER DEBITS				
Cash	\$ 6,274	\$ 1,678	\$ 7,952	\$ 2,920
Receivables	3,145	-	3,145	589
Due from Other Funds	4,476	-	4,476	4,476
TOTAL ASSETS	\$ 13,895	\$ 1,678	\$ 15,573	\$ 7,985
LIABILITIES				
Accounts payable	\$ 4,650	\$ -	\$ 4,650	-
Accrued expenses	-	-	-	223
TOTAL LIABILITIES	4,650	-	4,650	223
FUND EQUITY:				
Fund balance - unreserved	9,245	1,678	10,923	7,762
TOTAL LIABILITIES AND FUND EQUITY	\$ 13,895	\$ 1,678	\$ 15,573	\$ 7,985

STANTON TOWNSHIP PUBLIC SCHOOLS
SCHOOL SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 1,600	\$ 1,959	\$ 359	\$ 1,750
Special milk	225	234	9	234
Breakfast	1,000	1,082	82	1,195
Student lunches	13,000	14,974	1,974	15,259
Earnings on investments	15	78	63	10
Athletic	3,460	2,843	(617)	3,003
Miscellaneous	50	-	(50)	50
Total local sources	<u>19,350</u>	<u>21,170</u>	<u>1,820</u>	<u>21,501</u>
State sources	<u>-</u>	<u>2,132</u>	<u>2,132</u>	<u>1,917</u>
Federal sources:				
School lunch program	38,200	35,654	(2,546)	31,275
USDA entitlements	-	8,687	8,687	4,591
USDA bonus entitlements	-	1,098	1,098	1,336
Total federal sources	<u>38,200</u>	<u>45,439</u>	<u>7,239</u>	<u>37,202</u>
TOTAL REVENUES	<u>57,550</u>	<u>68,741</u>	<u>11,191</u>	<u>60,620</u>
EXPENDITURES:				
Labor	18,503	17,253	1,250	17,512
Total employee benefits	10,758	9,032	1,726	8,966
Purchases	24,425	38,109	(13,684)	31,211
Athletic	6,202	4,770	1,432	4,751
TOTAL EXPENDITURES	<u>59,888</u>	<u>69,164</u>	<u>(9,276)</u>	<u>62,440</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(2,338)</u>	<u>(423)</u>	<u>1,915</u>	<u>(1,820)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>4,300</u>	<u>3,584</u>	<u>(716)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,962</u>	<u>3,161</u>	<u>\$ 1,199</u>	<u>(1,820)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>7,762</u>		<u>9,582</u>
FUND BALANCE, END OF YEAR		<u>\$ 10,923</u>		<u>\$ 7,762</u>



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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

In connection with our audit of the financial statements of Stanton Township Public School District, as of and for the year ended June 30, 2006, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Public Act 738 - Electronic Transactions of Public Funds

The District should be aware of Act 738 - "Electronic Transactions of Public Funds". This Act affects electronic payments and transfers by local unites, including school districts. The Act requires the District to adopt a resolution to authorize use of automated clearinghouse (ACH) arrangements. The District needs to designate an Electronic Transaction Officer, develop a written policy regarding procedures and internal controls, and initiate a board resolution to adopt the ACH policy. The Electronic Transaction Officer that the District chooses will be responsible for the ACH agreements that include payment approval, accounting, reporting, and compliance with the ACH policy.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended for the information of the School District's Board of Education, the cognizant audit agency, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 30, 2006